

FISCAL NOTE

SB 242 - HB 458

February 24, 2005

SUMMARY OF BILL: Requires preference for state purchase of goods and agricultural products based on production location and the residency of the bidder offering such goods, where cost and quality are "equal" or "substantially equal". First preference shall be given to goods and agricultural products produced in Tennessee. Second preference shall be given to goods and agricultural products produced anywhere out-of-state and offered by a Tennessee bidder. Third preference shall be given to goods and agricultural products produced domestically out-of-state and offered by a non-Tennessee bidder. Fourth preference shall be given goods and agricultural products produced on foreign soil and offered by a non-Tennessee resident.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Up to \$24,000,000

Assumptions:

- Current law requires first preference to goods produced in Tennessee or offered by Tennesseans if cost and quality are equal.
- Agricultural products produced in Tennessee are given first preference; agricultural products offered by Tennesseans are given second preference.
- State approves between \$3.0 billion and \$6.0 billion worth of contractual obligations for goods and services each year.
- 40% of contracts are for tangible goods; 60% are for services.
- Estimated that between \$1.2 billion and \$2.4 billion is spent by the state each year for tangible goods.
- Fiscal impact to state government is dependent upon the interpretation of "substantially equal" as it would apply to price.
- "Substantially equal" is no more than an additional 1%.
- Quality of goods is consistent among bidders.
- Estimated increase in state expenditures is up to \$24.0 million (\$2.4 billion of goods sold X 1% increase = \$24.0 million).

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director